

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 L-02 H-01 DODE-00 PA-01 USIA-06 PRS-01 AGR-05

COA-01 /085 W

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FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC PRIORITY 2127

INFO AMEMBASSY BANGKOK

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E.O. 11652: N/A

TAGS: ECON, LA

SUBJECT: WEEKLY ECONOMIC SITUATION REPORT (JAN 8 - 14)

SUMMARY. TOTAL FOREIGN EXCHANGE SALES WERE \$461,000 FOR WEEK ENDING JAN 10. FREE MARKET RATE FOR DOLLARS UP SIGNIFICANTLY, WHILE USAID COST- OF-LIVING INDEX UP marginally. LAOS CONTINUES TO MAKE PROGRESS IN ITS AID-SEEKING EFFORTS. RETAIL SALES OF RICE THROUGH THE AGRICULTURAL DEVELOPMENT ORGANIZATION CONTINUE TO DECLINE. END SUMMARY.

1. TOTAL FOREIGN EXCHANGE SOLD THROUGH BANKS DURING WEEK ENDING JAN 10 WAS \$461,000, APPROXIMATELY SAME LEVEL AS \$501,000 AVERAGE WEEKLY SALES SINCE INITIATION FOREIGN EXCHANGE CONTROLS IN JULY 1974. OF FX SOLD, 54 PERCENT WAS FOR PETROLEUM PRODUCTS AND 10 PERCENT FOR PRINTING PAPER.

2. THE FREE MARKET RATE FOR DOLLARS ROSE STEADILY DURING PAST WEEK, ENDING WEEK OF LEVEL SIGNIFICANTLY HIGHER THAN PRIOR WEEK. NO APPARENT REASONS FOR INCREASE BUT MAY POSSIBLY BE LIMITED OFFICIAL USE

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RELATED TO SETTLEMENT OF DEBTS AT CHINESE NEW YEAR. ON JAN 14

MERCHANTS AND OTHER FX DEALERS WERE BUYING DOLLARS FOR APPROXIMATELY 1,300 KIP PER DOLLAR AND SELLING FOR 1,310 KIP PER DOLLAR, UP FROM 1,260 BUYING AND 1,270 SELLING JAN 7. BAHT WAS BEING BOUGHT FOR 6,430 KIP PER 100 BAHT, SELLING 6,480.

3. USAID COST-OF-LIVING INDEX FOR VIENTIANE INCREASED marginally during past week, reflecting price increases for eggs and certain vegetables, offset to a degree by decreased price for fish. USAID INDEX ON JAN 13 SHOWS FOLLOWING CHANGES:

	PERCENTAGE INCREASE SINCE	
	JAN 6	END 74
GENERAL INDEX	0.2	1.2
RICE INDEX	0	0
NON-RICE INDEX	0.3	1.5

4. RECENT DEVELOPMENTS IN LAO EFFORTS TO OBTAIN ADDITIONAL FOREIGN ASSISTANCE INCLUDE:

A. NEGOTIATIONS BETWEEN THE LAO AND THAI GOVERNMENTS ON TERMS OF TRANSIT TRADE THROUGH THAILAND AND ON BORDER COOPERATION (VIENTIANE 9355 AND BANGKOK 0698) BEGAN IN BANGKOK ON JAN 13. BANGKOK NEWSPAPERS HEADLINED A STATEMENT BY THAI UNDER-SECRETARY OF STATE FOR COMMUNICATIONS THAT DURING THE NEGOTIATIONS THAI GOVERNMENT WILL OFFER A 20 PERCENT REDUCTION IN TRANSIT FREIGHT RATES.

B. THE ECONOMIC AID-SEEKING MISSION LED BY MINISTER OF ECONOMY AND PLAN SOTH PHETRASY RETURNED TO VIENTIANE FROM INDIA ON JAN 11. NO DETAILS OF OUTCOME OF NEW DELHI DISCUSSIONS ARE YET AVAILABLE. SOTH'S AID-SEEKING MISSION ORIGINALLY SLATED FOR DEPARTURE MEDI-JANUARY FOR AUSTRALIA, NEW ZEALAND, AND INDONESIA HAS BEEN POSTPONED UNTIL A LATER DATE (SEE VIENTIANE 0256).

C. LOCAL PRESS HAS REPORTED THAT AN AID AGREEMENT BETWEEN THE GOVERNMENT OF USSR AND LAOS WAS SIGNED ON JAN 4 FOLLOWING NEGOTIATIONS OF AID-SEEKING MISSION LED BY SOTH PHETRASY. PRELIMINARY REPORTS ARE THAT USSR WILL PROVIDE MATERIALS TO CONSTRUCT THE FOLLOWING, WITH LAOS TO FINANCE CONSTRUCTION LIMITED OFFICIAL USE

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COSTS AND TRANSPORTATION FROM NORTH VIETNAM PORT OF HAIPHONG:

- (1) FUEL STORAGE TANK IN SAMNUA (8000 CUBIC METERS);
- (2) LARGE GARAGE FOR VEHICLE REPAIR IN PL ZONE;
- (3) BRIDGE ACROSS RIVER IN SAMNUA;
- (4) BRIDGES ACROSS NAM NEUN AND NAM NGUM IN XIENG KHOUANG PROVINCE;
- (5) A 150 BED HOSPITAL IN PHONE SAVANH (IN PL ZONE); AND
- (6) UNDERTAKE A DEVELOPMENT PLAN AND EXPANSION OF PHONE

SAVANH IN XIENG KHOUANG PROVINCE FOR 2000 PEOPLE.

D. ACCORDING TO AN OFFICIAL OF THE COMMITTEE FOR THE RECEPTION AND DISTRIBUTION OF AID, THE DATE OF THE FIRST ARRIVAL OF TRUCK CONVOYS BRINGING COMMODITIES FROM NORTH VIETNAM TO PAKSANE HAS BEEN DELAYED FROM THE ORIGINAL DATE OF JAN 15 DUE TO HEAVY RAINS IN VIETNAM AND EASTERN LAOS.

E. GOVERNMENT SPOKESMAN OUDAY SOUVANNAVONG ANNOUNCED CABINET APPOINTMENT OF SECRETARY OF STATE FOR MINISTRY OF ECONOMY AND PLAN SOMPHOU OUDOMVILAY TO HEAD A DELEGATION TO TRAVEL TO PEKING TO DETERMINE COMMODITIES TO BE DELIVERED TO LAOS UNDER THE TERMS OF AID AGREEMENT SIGNED RECENTLY BETWEEN PRC AND PGNU (VIENTIANE 9355).

5. RETAIL SALES OF RICE TO THE PUBLIC THROUGH AGRICULTURAL DEVELOPMENT ORGANIZATION (ADO) HAVE CONTINUED TO DECLINE IN DECEMBER TO LEVEL OF 212 METRIC TONS. PRIMARY FACTORS OF CONTINUING DECLINE STILL APPEAR TO BE THOSE CITED EARLIER (VIENTIANE 8836). WITH A DECLINE IN DECEMBER OF FREE MARKET PRICE OF RICE COMPARABLE TO THAT BEING SOLD BY ADO, PRICE DIFFERENTIAL BETWEEN ADO AND FREE MARKET RICE HAS BEEN NARROWED, THUS PROBABLY FURTHER DAMPENING DEMAND FOR ADO RICE.

6. DECONTROL FOLLOWING 1/15/76.
WHITEHOUSE

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